

Message Text

UNCLASSIFIED

PAGE 01 BERN 04428 01 OF 02 071127Z
ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-07 CEA-01 /117 W
-----130793 071142Z /13

R 071045Z SEP 78
FM AMEMBASSY BERN
TO SECSTATE WASHDC 6848
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMCONSUL ZURICH POUCH

UNCLAS SECTION 1 OF 2 BERN 4428

USMTN ALSO FOR MISSION
USOECN ALSO FOR EMBASSY
PASS TREAS FRB
EO 11652: NA
TAGS: EFIN, SZ
SUBJ: SWISS FINANCIAL REVIEW: WEEK AUG 28 - SEPT 1
1. SUMMARY: DOLLAR FIRMED DURING FIRST DAY AND HALF,
THEN FELL ABRUPTLY AFTER RELEASE OF US JULY TRADE
FIGURES. MARKET CONTINUES TO BE QUITE LIQUID, EVIDENT
IN EXPANSION OF CLEARING (GIRO) ACCOUNTS OF BANKS,
COMMERCIAL FIRMS AND INDUSTRY WITH THE SNB. BANK
AMERICA PLANS SF BOND ISSUE. SLIGHT RISE IN REAL
WAGES IN SECOND QUARTER; RETAIL SALES DOWN; GOVT
REPORTED ON TRADE POLICY FOR FIRST HALF 1978. END
SUMMARY
2. FOREX GOLD: DOLLAR SHOWED SIGNS OF FIRING EARLY
DOLLAR SHOWED SIGNS OF FIRING EARLY
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BERN 04428 01 OF 02 071127Z

IN WEEK, RISING ABOVE SF 1.7060 LEVEL IN OPENING
TRADING TUES AND REACHED HIGH OF SF 1.7090 BEFORE
MOST RECENT US TRADE DATA RELEASED, AFTER WHICH DOLLAR
FELL ALMOST 7 CENTIMES. TRADING WAS HECTIC AT MID-
WEEK, QUIETED THEREAFTER. GOLD, CONTINUING TO SHOW
CLOSE LINKAGE TO DOLLAR DEVELOPMENTS, OPENED AT
\$198.25, DOWN SLIGHTLY FROM PREVIOUS WEEK'S CLOSING,

AND CLOSED SUBSTANTIALLY HIGHER AT \$208.25. RATES FOLLOW:

8/28 (OPEN) 9/1 (CLOSE)

SPOT DOLLAR 1.6810 1.6190

FORWARD DISCOUNTS

(PCT PER ANNUM)

1 MONTH 8.53 8.38

2 MONTHS 7.93 8.52

3 MONTHS 7.87 8.25

6 MONTHS 7.61 7.99

12 MONTHS 6.23 7.57

SF/DM 83.44 81.50

GOLD 198.25 208.75

3. CAPITAL MONEY MARKETS: SWISS STOCK MARKETS

SHOWED LITTLE CHANGE OVER THE WEEK. FINANCIAL PRESS

CHARACTERIZED MARKETS AS "RUNNING IN PLACE" - INFLU-

ENCED BY NEGATIVE FACTORS SUCH AS US TRADE FIGURES

COMPENSATED BY HIGH DOMESTIC LIQUIDITY. PRESS

COMMENTED THAT IT IS LESS US TRADE FIGURES THEMSELVES

THAN ABSENCE OF SUBSTANTIAL POSITIVE DEVELOPMENTS ON

THE MARKET FOLLOWING COMMITMENTS OF MID-SUMMER BONN

SUMMIT. SKA INDEX CLOSED UP 0.8 POINTS AT 258.6.

AVERAGE YIELD ON CONFEDERATION BONDS DECLINED TO 3.29

FROM PREVIOUS WEEK'S CLOSE OF 3.31. FOUR LARGEST

BANKS (UNION BANK OF SWITZ, SWISS BANK CORP, CREDIT

SUISSE AND VOLKSBANK), EFFECTIVE MONDAY SEPT 1,

REDUCED INTEREST RATES ON KASSEN OBLIGATIONEN (CASH

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BERN 04428 01 OF 02 071127Z

BONDS) AS FOLLOWS: 3-4 YEAR PAPER FROM 2-3/4 PCT

YEAR FROM 3-1/4 TO 3 PCT. FINANCIAL PRESS REPORTED

BANK OF AMERICA PLANS SF 80 MILLION BOND ISSUE IN NEAR

FUTURE; REPORTEDLY FIRST ATTEMPT BY BOA TO RAISE

CAPITAL IN CURRENCY OTHER THAN US DOLLARS. THE BOA

ISSUE WILL BE MANAGED BY UNION BANK; TERMS: 3-3/4

PCT, MATURITY 15 YEARS. THIS MOVE FOLLOWS RECENT

CHASE AND CITICORP BORROWING IN SF AND REFLECTS

HISTORICALLY LOW SWISS INTEREST RATES AND CURRENCY

DEVELOPMENTS.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BERN 04428 02 OF 02 071135Z

ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 DODE-00 PM-05
H-02 L-03 NSC-05 PA-02 SS-15 /121 W
-----130832 071142Z /12

R 071045Z SEP 78
FM AMEMBASSY BERN
TO SECSTATE WASHDC 6849
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMCONSUL ZURICH POUCH

UNCLAS SECTION 2 OF 2 BERN 4428

4. SNB BALANCE SHEET: END AUG SNB BALANCE SHEET
TOTAL SF 37,045 MILLION WAS 3.3 PCT ABOVE JULY.
FOREX HOLDINGS INCREASED SF 2,284 MILLION OR 12 PCT
ABOVE END JULY HOLDINGS AND 6 PCT ABOVE AUG 1977.
NOTES IN CIRCULATION DOWN SLIGHT .07 PCT IN AUG BUT
UP 5.1 PCT END AUG 1977. CLEARING ACCOUNTS OF
BANKS, COMMERCIAL FIRMS AND INDUSTRY WERE UP 4.5
PCT OVER JULY AND 6.7 PCT OVER AUG 1977.

CHANGE FROM JULY 31
(IN MILLIONS OF SF)

ASSETS
GOLD 11,904 -- --
FOREX 20,863 UP 2,284
ROOSA BONDS 2,733 DOWN 175
DISCOUNT PAPERS 890 DOWN 797
LOMBARD LOANS 72 DOWN 89
OTHER 583 DOWN 46
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BERN 04428 02 OF 02 071135Z

TOTAL ASSETS 37,045 UP 1,177
LIABILITIES
NOTES IN CIRCULATION 19,458 DOWN 15
GIRO ACCOUNTS 8,068 UP 348
SIGHT DEPOSITS 4,231 UP 815
STERILIZATION ORDERS 3,396 -- --
OTHER (INCL GOVT ACCT) 1,892 UP 30
TOTAL LIABILITIES 37,045 UP 1,177

5. RISE IN REAL WAGES IN SECOND QUARTER. ACCORDING
TO FIGURES JUST RELEASED AVERAGE MONTHLY WAGES OF
SWISS WORKERS INCREASED BY 2.9 PCT IN NOMINAL TERMS

AND BY 1.5 PCT IN REAL TERMS BETWEEN THE SECOND QUARTER OF 1977 AND THE SECOND QUARTER OF 1978. AVERAGE HOURLY EARNINGS INCREASED BY 3.0 PCT IN NOMINAL TERMS AND 1.6 PCT IN REAL TERMS.

6. RETAIL SALES FALL: RETAIL TRADE IN SWITZERLAND DECLINED 0.9 PCT IN JULY FOLLOWING AN INCREASE OF 2.3 PCT IN JUNE AND 2.5 PCT IN JULY 1977. JULY DOWNTURN REPRESENTS THE FIRST FALL SINCE JAN 1977 AND ACCORDING TO THE FED OFFICE FOR INDUSTRY, TRADE LABOR WAS PRIMARILY DUE TO BAD WEATHER THAT ADVERSELY AFFECTED CONSUMER PURCHASES DURING THE MONTH.

7. TRADE POLICY IN FIRST HALF-YEAR 1978: IN ITS LATEST REVIEW OF TRADE POLICY, SUBMITTED BY THE FED COUNCIL FOR APPROVAL BY PARLIAMENT, THE FED COUNCIL REPORTED THAT THE ABRUPT APPRECIATION OF THE SF HAS LED TO CONSIDERABLE UNCERTAINTY IN THE ECONOMY AND CONTRIBUTED TO A COOLING-OFF IN THE ECONOMIC CLIMATE. ANY SUCCESS TO BE RECORDED BY THE EXPORT AND TOURIST SECTORS WILL PROBABLY BE A RESULT OF LOWER PRICES AND PROFITS. REPORT ALSO NOTES THAT INCREASE IN IMPORT VOLUME PUT DOMESTIC MARKET UNDER HEAVY PRESSURE BUT THAT LOWER IMPORT PRICES DUE TO UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BERN 04428 02 OF 02 071135Z

FOREX DEVELOPMENT HAVE HELPED STABILIZE DOMESTIC PRICES. WARNER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DATA, ECONOMIC REPORTS, FOREIGN TRADE
Control Number: n/a
Copy: SINGLE
Draft Date: 07 sep 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BERN04428
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780364-0605
Format: TEL
From: BERN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780990/aaaacwuw.tel
Line Count: 200
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 27bfde55-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1511943
Secure: OPEN
Status: NATIVE
Subject: SWISS FINANCIAL REVIEW: WEEK AUG 28 - SEPT 1
TAGS: EFIN, ETRD, SZ, US
To: STATE USMTN
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/27bfde55-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014